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Innovation, Not Quotas

The U.S. Textile Industry Needs to Evolve to Survive

By Gary Heiman

The American textile industry, my industry, should stop asking the American people to bail it out because of its failure to adapt to the global economy. That is essentially what industry trade groups have been doing with their efforts to retain artificial barriers to Chinese textile and apparel imports, which reportedly jumped 47 percent in January and have continued to surge.

The ending of trade restrictions on textiles and apparel once and for all could force a once-distinguished U.S. industry to transform itself.

Why have hundreds of thousands of American textile and garment workers lost their jobs in the past decade, with 12,000 becoming unemployed just in January, the first month after the agreement to end quotas went into effect? The conventional answer is that their companies couldn't compete with cheap imports made with cheap labor from the developing world. Undervalued Chinese currency and government subsidies also gave price advantages to companies from China. But I never hear anyone mention another key reason: American textile companies didn't discard failed business models and evolve when they had the chance.

My 65-year-old company produces and distributes textile products and apparel to hotels, hospitals and manufacturers. We are a small blip on the economic radar screen, with about 3,000 employees. But I have seen firsthand the mistakes made by the larger industry, especially during the past three years, when we bought two defunct mills in Georgia, refurbished them, and then reopened them to manufacture sheets, pillowcases, blankets and other products.

The companies that had owned these mills bet that they could meet the threat of imports by borrowing heavily, investing in larger and faster machines, laying off workers, and boosting productivity. Most of their competitors made the same bet. The problem was that these companies were content to churn out the same old products more quickly, rather than investing in research and development and coming up with innovative new products. They took essentially the same approach to weaving fabric as the ancient Egyptians. What my industry needed was senior managers and researchers with the frontier mentality found at Apple or Intel or biotech start-ups. What it got was too many 19th-century-style industrialists just trying to replace people with machines.

Companies that make garments in the United States have been hit hardest by the flood of Asian imports. But they have known about the coming end to quotas for more than a decade; if they couldn't compete with mass-produced clothes made in China and elsewhere, they had plenty of time to shift production to more specialized products that the world wants to buy.

Moreover, instead of looking for new markets overseas, too many companies kept vying for diminishing shelf space in the Wal-Marts and other large retailers close to home, which used their leverage to ratchet down wholesale prices and cut into their suppliers' profits. And so, overcapitalized and in debt, making products that were both generic and too expensive, not geared up for the global marketplace, the companies that we bought and others like them collapsed in the past two decades.

A small minority of U.S. textile companies, including ours, took a different approach. These companies chose to pour resources into R&D to come up with new manufacturing technologies, giving themselves the ability to create the kinds of specialized products that were not being developed elsewhere. These include synthetic towels and sheets made with new weaving technologies, surgical gowns, fabrics used in agriculture, high-fashion apparel, and fire-resistant workwear.

Now, it is true that such products generally don't require as many workers as, say, mass-produced sneakers, underwear and the other commodities that are being churned out mainly in developing countries. But they do require a highly educated, or easily educable, workforce and the kinds of skill sets that, in my experience, are still easier to find in the United States and other developed countries.

If more American textile and apparel manufacturers had been less insular, more willing to look for customers overseas instead of only within our borders, they would have improved their chances to grow, even as the market in the United States was shrinking. We, for example, sell to 49 countries. Rather than banking on high-powered lobbyists to stave off the march of globalization, we welcome the end of quotas.

It's not too late for more U.S. textile companies to shift course and adapt. Their survival will depend in large part on their ability to innovate and stay a step ahead of competitors elsewhere. Researchers have only just begun to figure out how nanotechnology, bioengineering and other relatively new disciplines can create the clothes that our grandchildren will wear. Technological ingenuity has always created new American jobs in the past. This can -- and must -- happen in my industry.

The transition to freer trade will be traumatic, and, unfortunately, there is no doubt this industry's American manufacturing base will continue to shrink in a quota-free world. But desperately and defiantly clinging to protectionism is not the way to meet this challenge. The answer is to innovate, export, become active in the global marketplace and become competitive again.

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